IVIAI KEL SHALE

Parmalat enjoys a strong market position in its main lines of business.

Set out below are the percentages of the group's sales by division and geographic area, as well as a break down of net operating profit and margin by division and by geographic area (in Bn lire-for the two years ended 31st December, 1996 and 31st December, 1997:

Sales by geographic area		1997	7	1997	1996	1996	+/-	+/-
		Bn Lire	·	%	Bn Lire	5/8	Bn Lire	%
Europe		2,742)	48.45	2,698	49.37	44	1.63
South America		2,646	·	46.77	2.523	46.17	123	4.88
North America		251		4.44	210	3.84	41	19.52
Rest of the World		19		0.34	34	0.62	(15)	
Total Sales		5,658		100	5,465	100	193	3.53
Sales by division		1997		1997	1996	1996	+/-	+/-
		Bn Lire		%	Bn Lire	%	Bn Lire	%
Milk products		3,360		59.38	3,263	59.71	97	2.97
Vegetable products		725		12.81	683	12.50	42	6.15
Fresh products		1,007		17.80	996	18.23	11	1.10
Bakery		412		7.28	368	6.73	44	11.96
Other		154		2.73	155	2.83	(1)	(0.65)
Total Sales		5,658		100	5,465	100	193	3.53
Net operating profit and								
margin by division	1997		1997		1997	1996	1996	1996
<u>-</u>	Bn Lire		%	R	OS*%	Bn Lire	%	ROS*%
Milk products	297		63.33		8.8	291	61.91	8.9
Vegetable products	62		13.22		8.6	67	14.26	9.8
Fresh products	88		18.76		8.7	91	19.36	9.1
Bakery	20		4.26		4.9	18	3.83	4.9
Other	2		0.43		1.3	3	0.64	1.9
Net Operating Profit	469		100%		8.3	470	100	8.6
* Net operating profit & margin by	division						-	
Net operating profit and ma	rein							
by geographic area		1997	1	997	1997	1996	1996	1996
	Bi	n Lire		%	ROS*%	Bn Lire	%	ROS*%
Ешторе		199	42	2.43	7.3	211	44.9	7.8
South America		260	55	5.44	9.8	248	52.8	9.8
Staush Auranian						_		

The section below provides a brief description of Parmalat's activities in the various geographic areas.

1.92

0.21

100

3.6

5.3

8.3

9

2

470

1.9

0.4

100

4.3

5.9

8.6

9

1

469

North America

Rest of the World.....

Net Operating Profit

Europe

In the last few years, in order to conform to Maastricht guidelines, all EEC Countries have made various efforts to limit public debt and inflation. The consequences of this restrictive policy have been a decline in consumption and falling prices. In that context, brand labels and competitive discounts have gained consumer loyalty.

However, the group has maintained its sales in all the countries where it has operations, those being Italy, Portugal, Spain, France, Germany, Hungary, Romania, Ukraine, and Russia. In Italy, the Group's leading positions in relation to UHT milk sales has been maintained with the launch of a new milk product "Natura Premium". Its superior quality has been obtained with technology exclusively owned by the Group and its distinctive packaging.

Consumers are well aware of such innovations and this has allowed the Group to strengthen Parmalat's brand position on premium price milks and private labels in relation to the other competitors. Such an increase in sales necessarily requires an increase in production capacity, to ensure that the Group maintains and may seek to increase its market share.

The development of this new premium milk product will allow the group to protect its premium price which may enhance the profitability of the Group.

In Portugal, the Group maintained the same market positions for its various milk and juice products as in the previous year. In Spain, France and Germany where sales relate to the same products as are sold in Italy, sales have equalled those of the previous year. In Hungary the group has satisfactorily withstood the competition from German supermarket chains.

In Eastern Europe, Romania, Ukraine, and Russia the distribution difficulties have hampered the Group's development. However, for the years 1998 and 1999 and with additional financing by the EBRD, the Group is planning to buy and to set up plants to circumvent such distribution problems.

South America

Over the last three years, Parmalat's acquisition strategy has been concentrated in South America (especially Brazil), which offers opportunities for growth in the future as well as comparatively good margins. It accounted for 47 per cent. of consolidated sales in 1997 (up from 16.0 per cent. in 1992) and 55.0 per cent. of consolidated net operating margin and, is therefore, more significant than Parmalat's Italian operations.

In 1997 milk and fresh products made up 66.3 per cent. and 16.7 per cent. of total sales in South America.

Net sales in South America increased to 2,646 billion Lire in 1997 from 2,523 billion Lire in 1996, an increase of 4.9 per cent.

The chart below shows a summary of Parmalat's market shares in Brazil in 1997 and 1996 according to the most recent Nielsen statistics. Parmalat remained leader in the pasteurised milk sector and the UHT milk sector.

Product	Market share 1997	Market share 1996	Market position
Pasteurised milk UHT milk UHT cream Fruit juices Yoghurt	11.1% 33% 33.9% 51% 14.5%	11.7% 30.2% 33.7% 52.4% 14.7%	Leader Leader Leader Leader III
The state of the s			

Source: Nielsen Retail October - November-97 for all the products but desserts and condensed milk, which come from Nielsen Consumer 12 months ending November-97 and Parmalat

acquired a 84.6 per cent. share of Venezuela's leading milk company, Indulac, with annual sales of U.S.\$190 million. In December 1995 Parmalat acquired Frica, the Venezuelan leader for fruit juices and yoghurt with market shares of 36.0 per cent. and 72.7 per cent., respectively, and combined sales of U.S.\$70 million in 1995. During 1996, the distribution networks of Indulac and Frica started to be integrated, with significant savings in fixed costs anticipated. Parmalat also has a very strong brand name in Venezuela.

The chart below summarizes Parmalat's market shares in Venezuela according to the most recent Information Research Inc. statistics and the Company's own estimates.

	Market	
	share	Market
Product	1997	position
Powdered milk	53.9%	Leader
Pasteurised milk	20.3%	III
UHT milk	61.6%	Leader
Condensed milk	69.6%	Leader
Fruit juices	43.7%	Leader
Yoghurt	48.9%	Leader

North America

Parmalat has been present in the United States since the 1980's selling tomato products. In 1992, the Company entered the milk market with a view to introducing UHT milk—a new product for US customers as they traditionally drink pasteurised milk. Despite extensive advertising campaigns, Parmalat expects that it is likely to take another 10 years before the UHT market approaches 10.0 per cent. of the US market, of which it currently represents less than 1.0 per cent. However, it is hoped that market penetration will be greatly assisted by Parmalat Techolding's development of New UHT Milk.

In 1995, Parmalat entered the Mexican market acquiring a producer of UHT milk and derived products. The Company expects that growth prospects in this market will be good.

Sales in the United States and Mexico together accounted for 5.0 per cent. of consolidated sales in 1997 and 2.0 per cent. of net operating margin. Return on Sales was 3.6 per cent., still well below the Return on Sales of the other geographic regions.

In 1997 net sales increased to 251 billion Lire from 210 billion Lire for 1996, representing an increase of 19.0 per cent.

Advertising

In recent years the market for processed milk in the developed countries has generally been characterised by fragmentation and maturity with few prospects for significant growth but a fairly stable level of consumption. Product differentiation is difficult, which makes the possession of an established brand a crucial factor in avoiding purely price-based competition. Parmalat's strategy has been to develop established brands across the markets in which it operates. In the Italian milk sector, in particular, Parmalat has been able to position itself as a recognised supplier of quality brands and accordingly has been able to obtain premium margins.

In Italy, the advertising budget is equivalent to 9.0 per cent. to 10.0 per cent. of turnover and is spent predominantly on television and various promotions. Elsewhere in the world the level of advertising is lower, with the exception of North America where Parmalat is still seeking to establish itself in the market and create name recognition for its milk.

All advertising expenses are recognised in the profit and loss account. A small amount of advertising cost is shown as being capitalised on Parmalat's balance sheet. This has resulted from the acquisition and consolidation of Giglio.

Research and Development

Parmalat has a centrally based department of 40 people dedicated to developing new products and new technology. Once a new process or technology has been developed it is then sent to the appropriate production plants around the world for evaluation and to ensure that local conditions, of whatever nature, do not impact on the effectiveness of the application. In addition, some 30 people in Canada (acquired with the Canadian

acquisitions completed in 1997, see further, "- Recent Developments") are involved in research and development and collaborate closely with the team based in Italy.

In March 1997 Parmalat launched New UHT Milk, which has a taste more closely resembling fresh milk, in Italy under the brand name Natura Premium. New UHT Milk is produced using technology developed by Parmalat Techoldings (formerly Dasi Corporation). The technology, which is owned by Parmalat, enables the raw milk to be processed into UHT milk at a lower temperature and with greater uniformity. New UHT Milk is sold on a limited scale and in limited amounts in certain markets, but Parmalat intends to implement this production process on a wider scale. Parmalat has developed a plastic bottle design to be used as a packaging alternative to the Tetra Brik cartons currently used and is developing machinery in connection with this product.

Intellectual Property

Certain trademarks capitalised on the balance sheet have arisen through acquisitions.

In Italy and South America the most important brandname to the group is "Parmalat". In Italy "Parmalat" is used on all products except cheese which is produced and sold either under the brand name "Giglio" or unbranded. In Europe and the United States most sales are under the "Parmalat" name. "Parmalat" is registered in all countries in which the company is active or might invest in the future.

In Brazil, Parmalat was licensed to produce yoghurt under the name of "Yoplait" until 1997. It has since negotiated the surrender of this licence and now produces yoghurt under the name of "Parmalat".

In Italy, Parmalat is licensed to use the Weightwatchers brandname to sell wholly-skimmed milk. This agreement produces a satisfactory level of sales for Parmalat and is expected to continue for the foreseeable future.

The acquisitions in 1997 and 1998 of companies located in Canada and the United States has brought Parmalat new trademarks. See "— Recent Developments".

Raw Materials

Raw materials are, with a few exceptions, sourced locally to each production facility. In Italy and Brazil, Parmalat's largest markets for milk products, milk is collected at collection centres. In Brazil, Parmalat runs its own collection centres. In Italy, local milk is only sufficient to meet approximately 60 per cent. of Parmalat's requirements. The balance is imported in roughly equal proportions from France and Germany. Approximately 80 per cent. of Parmalat's annual milk needs for Italy are met through requirements contracts, pursuant to which Parmalat is generally obliged to buy all the milk produced, and the remainder is purchased on the open market in Italy and in Europe. In most instances Parmalat maintains relationships directly with small farmers.

Parmalat owns two companies in Germany, one in Munich which collects milk for delivery directly to Italy, and the other in Berlin, where milk is both collected and processed into UHT milk, then sold to Italy. Parmalat also owns a company in France, which acts as a collection centre. In both Germany and France, price guidelines are published by state or local governmental authorities. In Germany, Parmalat has contracts with nine-year terms for the supply of milk. In France, Parmalat has no written supply contracts, but may not change suppliers until the second half of each year.

Milk production by Parmalat in Europe (other than Italy) is concentrated in Portugal and Hungary. In both countries milk comes from local farmers, cooperatives and the open market.

In Brazil, the consumption of milk is relatively constant throughout the year although the price of milk from producers is subject to seasonal fluctuations. In the summer, when it is wet, production is higher than during the winter when the weather is dryer. However, as the same factors affect the production of both pasteurised milk and UHT milk, Parmalat is able to pass any price increases to the consumer and protect its margins.

Parmalat owns approximately 160 collection centres in Brazil which serve as initial cleaning and refrigeration centres for the milk from the farms in their immediate vicinity. Parmalat collects milk in Brazil from approximately 35,000 farmers. Milk is then trucked to the production centres in 25 ton shipments for further processing and distribution. No single farm supplies Parmalat with more than 5 per cent. of its milk requirements in any country in South America. There are 22 plants used to process milk in Brazil, seven of which process UHT milk.

to process milk which is collected from between 3,000 and 3,500 farmers.

Fruit pulp, used in the production of flavoured yogurt, is purchased on the open market.

In North America, milk is purchased from several large cooperatives which compete with one another, causing prices to be highly competitive. The cooperatives deliver milk directly to Parmalat's production plants. The main plants for milk processing in the United States are located in Michigan (for UHT milk) and Georgia (for pasteurised milk).

Tomato products are produced in Italy, Portugal and Argentina. Italy accounts for the majority of this production, with approximately 25.0 to 30.0 per cent. of the tomato products produced there being sold in Italy and the remainder being sold in other countries. Prices of raw tomatoes are set by the European Union just before harvesting.

Tomatoes processed in Portugal come from domestic farmers. Processing is conducted entirely at Parmalat's plant in Vila Franca de Xira.

A third centre of tomato production is located in Patagonia, Argentina, 1,800 kilometres from Buenos Aires, where land owned by Parmalat is used to grow tomatoes and other vegetables on a rotation basis. Forty thousand tons of tomato pulp is produced annually, which is a sufficient amount to supply all of Parmalat's tomato products requirements for the entire South American market. No major shortfalls have been experienced or are anticipated in this market.

Production of fresh orange juice in Italy is primarily sourced from Sicily and Calabria (for blood oranges). Orange concentrate is purchased primarily from importers in the Netherlands. Grapefruits for the production of fresh grapefruit juice, comes from Israel, and grapefruits for the production of grapefruit juice from concentrate come from the United States and Israel. Tropical fruits, for use in various drinks, are imported from around the world. Parmalat has the capacity to increase prices if costs rise as its competitors would be subject to the same factors.

Parmalat's largest supplier is Tetrapak which provides packing machinery and packaging. Tetrapak equipment is used in all Parmalat's production facilities where UHT products are processed. Combibloc is used in addition to Tetrapak in some production facilities although only a small portion of Parmalat's packaging utilises this alternative process.

Competition

Parmalat's competitors with respect to milk products are generally private companies, local municipalities and private label producers in both Italy and Europe. With respect to fresh products, particularly yogurt, Parmalat competes both with local producers and large multinational companies. Parmalat's main competition in Italy is with respect to yogurt and comes from Danon and Yomo, who have roughly the same market share of between 14.0 and 20.0 per cent., depending on the period. In South America, the yogurt market is very competitive, and Parmalat ranks third in Brazil in terms of market share for yogurt behind Danon and Nestle.

With respect to fruit juice and vegetable business, Parmalat competes mostly with the major beverage producers and marketers. In Italy, Parmalat was market leader in fruit juices at the end of 1996 with 33.1 per cent. market share, followed by Zuegg with 22.6 per cent. market share. Parmalat's efforts in the bakery business are concentrated in Italy where it competes with the two market leaders, Barilla and Ferrero, who together account for over 60.0 per cent. of total sales in this market. Parmalat believes that the high quality of its products and general awareness of its brand name are important elements in helping Parmalat to maintain its market share in mature markets and grow in South America and other emerging markets.

Employees

There are three main unions present in all of Parmalat's Italian plants. In South America the workforce is not heavily unionised. No major stoppages have occurred at any of Parmalat's production facilities in recent years and in Italy where such interruptions have taken place, they have generally resulted from industrial action in the food industry as a whole rather than from a specific dispute with Parmalat.

Parmalat considers its relationship with its employees to be good.

Litigation

Parmalat is involved from time to time in legal matters incidental to its business. In the opinion of Parmalat's Management, no litigation against Parmalat or any of its subsidiaries is currently proceeding, pending or threatened which would have, or is likely to have, a material impact on Parmalat or any of its subsidiaries.

However, a claim has been made by the liquidator of the company in which Parmalat previously owned a stake, and which it sold some years ago. The total value of the claim is approximately ITL 40 billion (excluding interest). Parmalat is vigorously challenging the action and is of the opinion that the claim has no merit. Should any award be made against Parmalat, Management believes that it will be for a sum significantly smaller than that claimed and will not have a material adverse effect on Parmalat.

In Brazil, two administrative proceedings against Parmalat Industria e Comercio de Laticinios Ltda. ("Parmalat Ltda.") are currently pending. One, initiated by the Secretary of the Treasury (Secretaria da Fazenda) of the State of Sao Paulo claims that Parmalat Ltda. failed to document expenses related to various tax credits during the year of 1991. The other, initiated by the Revenue Service (Receita Federal), alleges that Parmalat Ltda. (i) failed to withhold income tax on payments made to certain soccer players of the Palmeiras soccer team and (ii) did not accurately report expenses related to an agreement entered with such team. The total estimated value of these proceedings is Brazilian reais 39.7 million. Parmalat Ltda. is actively challenging these proceedings. Should any award be made against Parmalat, Management believes that it will be for a sum significantly smaller than that claimed and will not have a material adverse effect on Parmalat.

Insurance

Parmalat does not self-insure and uses brokers to arrange all its insurance requirements which include product liability insurance. No significant claims have been made in recent years and Parmalat has not experienced any difficulties in obtaining appropriate insurance cover.

Regulation/Consents

Given its involvement in the food industry, Parmalat is subject to a wide range of controls and regulations. To date Parmalat has had no difficulties in meeting these requirements and other than brief stoppages in Atlanta there has been no disruption to production.

As part of the production process checks are automatically made on the waste discharged. There are no material environmental issues outstanding.

Management

Board of Directors

The Board consists of at least three and no more than nine members at any one time The Board currently consists of seven members, each of whom has been elected by the shareholders at a General Meeting of Shareholders.

Board members are elected for a period of three years.

Board members may be appointed, or removed (by "Per Giusta Causa"), only by a resolution of shareholders in a general meeting.

The following summary provides certain information regarding the board members as of the date of this Offering Circular:

Calisto Tanzi (aged 59), Chairman and Chief Executive Officer

Chairman and Chief Executive Officer, 1961 to present, Calisto Tanzi founded Parmalat in 1961. Mr. Tanzi was nominated "Cavaliere del Lavoro" in 1984, Italy's highest award for prominent businessmen. Mr. Tanzi is also the Chairman of Parmalat Finanziaria.

Giovanni Tanzi (aged 54), Vice Chairman

Vice-Chairman, 1980 to present. After obtaining a degree in Biology in 1966 from Parma University he started working with his brother Calisto at Parmalat. From 1970 to 1973 he was responsible for product quality control. In 1973, he started the Company's first foreign operations in France, Germany and Brazil. Since 1976, Dr. Tanzi has been the Technical General Manager and today his responsibilities include logistics and purchasing for all group divisions. He is Vice-Chairman of Parmalat S.p.A. and of various other Parmalat foreign subsidiaries, and is a member of the Board of Parmalat Finanziaria.

Domestico Datin (aged or), General manager

General Manager, 1980 to present. Mr. Barili received a law degree from the University of Parma in 1961. He began his professional career in marketing strategy. In 1963 he became a consultant to Parmalat and in the same year was hired as Sales Director. Mr. Barili has been Sales Director of Parmalat for 30 years. In addition to being General Manager and member of the board of Parmalat S.p.A., Mr. Barili is also a member of the Board of Parmalat Finanziaria.

Fausto Tonna (aged 46), Chief Financial Officer

Mr. Tonna received his degree in Accounting and Business Administration in 1971. He started working for Parmalat in 1972 with responsibility for the administration of subsidiary companies. In 1981, Mr. Tonna took charge of Parmalat's general accounting. In 1983 he was promoted to Administrative Manager and became responsible for the Company's planning and control department. In 1987 he was appointed Chief Financial Officer. Mr. Tonna is also Chairman of Coloniale s.r.l., and Director of Parmalat Finanziaria S.p.A. and of other companies in the Group.

Dr. Pier Giovanni Tanzi (aged 52), Director

Director, 1990 to present. Since 1982, Mr. Tanzi has been the Company's Chairman Secretary. He joined Parmalat in 1978 and for 10 years was the head of the advertising department. Between 1968 and 1972 he worked in the commercial department of Salvarani S.p.A., an Italian market leader in kitchen furniture.

Dr. Giuliano Panizzi (aged 38), Director

'Dr. Panizzi was in charge of the corporate finance department of Akros. Previously, he was in the same position at Sige (IMI Group). In 1983 he received his degree in Business Administration.

Dr. Stefano Tanzi (aged 29), Director

Joined in 1993 working alongside his father. He received his degree in Business Administration from the University of Parma.

Dr. Francosco Giuffredi (aged 55), Director

Technical Director since 1990 and previously assistant to the Technical Director, Mr. Giuffredi joined Parmalat in 1981 and was given technical responsibilities. Between 1972 and 1981 Mr. Giuffredi worked for IN Snamprogetti (ENI Group). He received his degree in Industrial Chemistry in 1969 from The University of Parma. He is a Director of Parmalat Finanziaria and of other companies of the group.

Dr. Paola Visconti (aged 30), Director

Ms. Visconti joined the Parmalat group in 1996. She is responsible for the merger and acquisition division of the Parmalat group. She is a Director of Parmalat Finanziaria and of other companies of the group. Ms. Visconti received her degree in Business Administration from the University of Bologna.

Other Key Personnel Officers	Age	Position Held
Ugo Bianchi	52	EDP Director, 1972 to present.
Danilo Buffetti	57	Sales Director of the milk and vegetable products divisions, 1978 to present. He joined Parmalat in 1968 as a Sales Supervisor, and afterwards was responsible for one of Parmalat's distribution areas.
Leopoldo Cagnasso	41	Marketing Director of the vegetable products division, 1988 to present. He joined Parmalat in 1975 as Marketing Product Manager for juices and beverages. In 1980 he obtained his degree in Business Administration from the University of Parma.
Riccardo Carraglia	63	Director of Production and Research activities for the bakery products division, 1991 to present. Previously, for two years, he was Director of Programming and Planning. He joined Parmalat in 1974 and for 13 years served as Milk Production Director. Prior to joining Parmalat he served at Barilla as head of a production department. He holds a degree as an Industrial Engineer.
Armando Cirillo	53	Sales Director of fresh and bakery products division. Prior to that he was the Marketing Director of the vegetable products division. He joined Parmalat in 1980 as head of one of Parmalat's distribution areas. Previously, he had been at Buitoni-Perugina as District Manager for 12 years.
Gian Piero Convalle	61	Since 1972 he has been in charge of transportation management for Parmalat's products.
Achille Corvi	60	Marketing Director of the milk products division to present. He joined Parmalat in 1973 as head of the Company's distribution network in northern Italy. He is a Director of Centrale del Latte di Genova.
Giuseppe Dall'Asta	54	Director of Parmalat's purchasing department, 1980 to present. Prior to this he was in charge of raw materials supply.
Luigi Del Monte	42	In 1992 Mr. Del Monte was appointed Marketing Director of the bakery products division. He joined Parmalat in 1985 and until 1991 was the Product Manager of milk and cream products. Between 1982 and 1985 he was the Product Manager for the ice-cream division at Italgel (SME group) In 1981 he graduated from the University of Parma with a degree in Business Administration.
Luciano Del Soldato	39	Since 1989 Mr. Del Soldato has been responsible for the Company's overall accounting and control areas. In 1983 he joined Parmalat as head of planning and control. He is a member of the board of Giglio S.p.A. He received his degree in Business Administration from the University of Parma.
Franco Gorreri	46	Mr. Gorreri joined Parmalat in 1979 as head of the accounting department and was subsequently promoted to head of the treasury and finance area. He graduated with a degree in Political Science in 1976.
Gianni Grisendi	46	Mr. Grisendi has been Managing Director of Parmalat Brazil since 1989. He is also responsible for Parmalat's operations in Latin America. Mr. Grisendi started working for Parmalat S.p.A. in 1975 and in 1976 he took charge of Parmalat Brazil with responsibility for the commercial area.

Officers	Age	Position Held
Enrico Guerci	49	Mr. Guerci joined Parmalat in 1987 as Sales Director. Prior to Parmalat he served FOA as Commercial Director and Fidam as Administrative Director. Previously, he worked for Eurofibre S.p.A. as Commercial Director. In 1972 he graduated from the University of Parma with a degree in Business Administration.
Giancarlo Mazzoni	56	Mr. Mazzoni joined Parmalat in 1978 as Marketing Director of the fresh products division. He was with Procter & Gamble (formerly Nelsen S.p.A.)as Sales Director from 1977 until 1978. Between 1968 and 1977, Mr. Mazzoni worked in the sales and marketing division of Barilla. He graduated from the University of Parma in 1967 with a degree in Business Administration.

Recent developments

During the first six months ended 30th June, 1997 Parmalat transferred its subsidiaries that conduct operations in Australia, Colombia and Ecuador (the "Transfer Entities") to Finanziaria. The Transfer Entities represented approximately 1.7 per cent. and 1.4 per cent. of the Group's net sales and assets, respectively, at and for the period ended 31st December, 1997. Consequently, the Consolidated Financial Statements at and for the six months ended 30th June, 1997 are not directly comparable to the Consolidated Financial Statements at and for the six months ended 30th June, 1996 and prior periods.

The Guarantor announced on 19th February, 1998 that it had acquired Sunnydale Farms Inc., ("Sunnydale"), a company located in the United States for approximately U.S.\$12 million. Sunnydale had a turnover of some U.S.\$145 million in 1997, and operates in the fresh milk business in New York.

Further, in February, 1998 the Parmalat Group acquired 99.99 per cent. of the share capital of Etti Produtos Alimenticios Ltda ("Etti"), a company located in Sao Paulo, Brazil, for approximately U.S.\$52 million. Etti operates in the tomato derivatives sector and in 1997 had a turnover of approximately U.S.\$130 million.

In March, 1998 the Group acquired the entire issued share capital of Towerkop Dairies (Pty) Ltd ("Towerkop") and Dun Robin Holdings (Pty) Ltd ("Dun Robin"), two companies located in South Africa. The cost was approximately Lit. 70 billion (including financial debt) for the two companies which operate in the milk, cheese, butter, yoghurt, desserts and fruit juice sectors in South Africa and which had a combined turnover of approximately Lit. 140 billion in 1997.

In addition, Parmalat acquired the entire share capital of Centrale del Latte di Monza for approximately Lit. 21 billion. The company operates in the milk and yoghurt sectors in North Italy and, in 1997, had a turnover in excess of Lit. 30 billion.

In April, 1998, the Group acquired 51 per cent. of the share capital of BATAVIA S.A., a company located in the south of Brazil. The cost of the acquisition was approximately U.S.\$130 million, paid partially in cash to the sellers and partially through a cash injection into the company. BATAVIA S.A. operates in the milk, cheese, yoghurt, desserts and meat sectors in Brazil and, in 1997, had a turnover of approximately U.S.\$350 million.

In July 1998, the Group acquired 62.8 per cent. of the share capital of Bonnita Holdings United, a company located in South Africa. The cost was approximately Lit. 119 billion. The Company operates in the milk, cheese, butter, yoghurt and fruit juice sector in South Africa and had a turnover of approximately Lit. 300 billion in 1997.

Finanziaria has recently concluded the takeover of the Australian company, Limited. The cost of the acquisition was approximately Lit. 471 billion. The Company operates in the dairy sector and had a turnover of approximately Lit. 670 billion in the last financial year. The closing is estimated for the second half of August.

OTHER CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider the following factors in conjunction with the other information contained in this Offering Circular before purchasing the Notes

Control by Parmalat Finanziaria

Parmalat Finanziaria owns all the capital stock of Parmalat and can cause Parmalat to take actions including the transfer of all or a portion of assets (including any subsidiary- to Parmalat Finanziaria, an affiliate of Parmalat Finanziaria or an unaffiliated entity. During the first six months of 1997, Parmalat transferred its subsidiaries that conduct operations in Australia, Columbia and Ecuador to Parmalat Finanziaria. Parmalat Finanziaria has caused the transfer of certain operations from Parmalat and may do so in the future. There can be no assurance that all or substantially all of the assets (including any subsidiary) of Parmalat will not be transferred to an affiliated or unaffiliated entity.

The table below sets forth the unaudited capitalisation of the Guarantor, prepared at 31st December,

CAFILALIOATION OF PARINALAT S.P.A.

1997.

Cash, cash equivalents and marketable securities.

Short torus dob.

Cash, cash equivalents and marketable securities.	(Lire billions) 323
Short-term debt	721
Long-term debt	773
Total debt	1,494
Shareholders' equity: Share capital.	680
Share premium reserve and legal reserves.	432
Retained earnings	25 1,137
Total capitalisation ⁽¹⁾	2,631

⁽¹⁾ Includes short-term debt, long-term debt, minority interests and total shareholders' equity.

Except as disclosed in this Offering Circular there have been no material changes in the total capitalisation of the Guarantor since 31st December, 1997.

⁽²⁾ The authorised and issued fully paid-up share capital of the Guarantor is Lit 680 billion consisting of 680,000,000 ordinary shares each and with a nominal value of Lit. 1,000.

AUDITORS' REPORT ON PARMALAT S.p.A.'s FINANCIAL STATEMENTS

Revisione e
Organizzazione Contabile
The Italian Member Firm of
Grant Thornton International

Grant Thornton S.p.A

Auditors' report

To the shareholders of PARMALAT S.p.A. Via O. Grassi, 26 43044 - COLLECCHIO (PR)

We have audited the financial statements of PARMALAT S.p.A. for the year ended 31st December, 1997.

We conducted our audit in accordance with generally accepted auditing standards and, in compliance with these standards, we made reference to the statutory regulations on the basis of which financial statements are prepared and to the accounting principles issued by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri which interpret and integrate these regulations.

With respect to the opinion expressed on the previous year's financial statements which are presented for comparative purposes, reference is made to our audit report thereon dated 26th May, 1997.

The financial statements of a number of subsidiaries were examined by other auditors who have transmitted to us their report. Our opinion expressed in this report, concerning the values of investments in subsidiaries which represent respectively 41% of this item and 18% of total assets, is also based on the work performed by other auditors.

In our opinion, the above mentioned financial statements give a true and fair view of the state of affairs of PARMALAT S.p.A. at 31st December, 1997 and of the results of its operations for the year then ended, in accordance with generally accepted accounting principles as outlined in paragraph 2 above.

As indicated in the supplementary note, the company has provided accelerated depreciation in the current and previous years for the sole purpose of obtaining taxation benefits.

The company holds majority interests shown in these financial statements at cost and accordingly has prepared group financial statements. This document which is supplementary to the company's financial statements was prepared in order to present more accurate information on the economic and financial position of the company and its subsidiaries. We have audited the consolidated financial statements which are enclosed herewith, together the relevant audit report.

Milan, 12th June, 1998

Grant Thornton S.p.A.

Maurizio Bianchi Lorenzo Penca (Partners)

SUMMARY AUDITED NUN-CONSULDATED FINANCIAL STATEMENTS OF FARMADAT S.P.A.

Balance Sheet		1997 receivable after			1996 receivable ufter	•
	receivable within 12 months	more than 12 months	31st December,	receivable within 12 months	more than 12 months	31st December
(A) Amounts due from shareholders (B) Non-currest assets			(1.	ire)		
Intangible fixed assets Deferred initial outlays. Research/develop./advert.costs Industrial patents and intellectual property rights.			4,553,542,356			5,861,517,200
Franchises, liuences, trademarks and similar assets Goodwill Assets being developed and deposits Other intangible fixed assets			63,631,000 39,960,331,193			127,262,000 23,291,455,837
Total intangible fixed assets			44.577,504,549			29,280,235,037
II. Taagible fixed assets Land and buildings Plant and machinery Industrial and commercial equipment Other fixed assets. Assets under construction and deposits.			69,065,234,556 136,548,456,331 17,806,848,095 1,402,645,246			60,719,830,145 130,432,698,687 16,547,704,061 1,348,315,004 1,898,449,417
Total tangible fixed assets			224,823,184,228			210,946,997,314
III. Noo-currest flasnotal assets Shareholdings in: (a) subsidiaries. (b) affiliates (c) parent companies. (d) other companies.			2,305,144,603,196 4,772,939,911 15,555,003,582			1,393,021,506,363 3,528,270,989 12,850,159,172
Accounts receivable: (a) subsidiaries(b) affiliates	118,045,013,527		118,045,013,527	117,129,063,527		117,129,063,527
(c) parent companies (d) other companies Other investments Own shares		3,385,935,303	3,385,935,303 36,550,132,703	13,056,309,000	387,135,667	13,443,444,667 23,254,592,289
Total non-current financial assets			2,483,453,628,222			1,563,227,037,007
Total non-current assets (B)			2,752,854,316,999			1,803,454,269,358
(C) Current assets I. Inventory Raw, supplementary and ancillary materials Semi-finished goods			63,420,963,240			49,291,339,186
made to order			76,048,313.455			85,008,394,111 18,500,000,000
Total inventory ,			139,469,276,695			152,799,733,297
II. Accounts receivable From subsidiaries From subsidiaries From affiliates From parent companies From others	447,092,232,840 781,139,159,349 5,313,396,443 60,375,780,605		447,092,232,840 781,139,159,349 5,313,396,443 60,375,780,605	551,360,781,742 667,437,562,374 8,456,033,182 1,000,000,000 159,302,196,247		551,360,781,742 667,437,562,374 8,456,033,182 1,000,000,000 159,302,196,247
From other group companies	879,072,650,804		879,072,650,804 (17,611,462,883)	147,370,481,435		147,370,481,435 (18,469,243,935)
Total accounts receivable			2,155,381,757,158			1,516,457,811,045
III. Current fluanciai assets Shareholdings in subsidiary companies Shareholdings in affiliates Shareholdings in parent companies Shareholdings in other companies Own shares Other investments			_			_
Total current financial assets						
IV. Cash Bank and post office accounts			287,158,117,554			596,463,201,060
Cash in hand			235,683,744			299,523,056
Total cash.			287,393,801,298			596,762,724,116
Total current assets (C)		2	,582,244,835,151		2.	,266,020,268,458
(D) Accrued income and prepaid expenses Accrued income and prepaid expenses. Discount on loans			27,283,332,326			43,393,391,471
Total accrued income and prepaid expenses (D)			27,283,332,326			43,393,391,471
Total assets		5,	362,382,484,476		4,	112,867,929,287

SUMMARY AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS OF PARMALAT S.p.A.

Balance Sheet						
	payable within 12 months	1997 payable after more than 12 month	? 31si December.	payable within 12 months		? 31si December,
			(L	ire)		
(A) Net worth I. Share capital			680,000,000,000 290,000,000,000 12,898,063,072 27,147,238,949			680,000,000,000 290,000,000,000 18,651,485,432 24,351,141,552
VI. Statutory reserves			102,077,736,593			100,712,860,023
VIII. Profits/(losses) brought forward IX. Net profits/(loss) for the year.			25,465,107,884			27,960,973,967
Total net worth (A)			1,137,588,146,498			1,141,676,460,974
(B) Provisions for risks and charges						
Provisions for termination of staff contracts and similar Tax reserve Other provision			3,472,163,158			3,357,838,791
Total provisions for risks and charges (B) .			3,472,163,158			3,357,838,791
(C) Severance indemnity fund			51,960,344,216			42,451,851,953
(D) Accounts payable Debenture loans. Convertible debenture loans Banks and financial institutions. Other providers of funds Deposits received. Suppliers. Eligible bills. Subsidiaries.	720,894,862,286 198,696,351,356 336,091,414,360	772,539,421,616	1,493,434,283,902 198,696,351,356 340,369,805,505 1,772,483,883,453	492,762,038.805 111,085,778,401 294,073,104,255 981,068,319,223	475,015,989,068 7,045,499,956	967,778,027,873 111,085,778,401 301,118,604,211 981,068,319,223
Affiliates. Parcat companies Fiscal liabilities Social security and national insurance contributions Other accounts payable.	747,769,677 38,179,847,502 27,722,037,828 7,245,847,635 14,380,608,440	200,000,000,000 6,735,200,187	747,769,677 238,179,847,502 34,457,238,015 7,245,847,635 14,380,608,440	2,415,029,073 161,164,158,257 9,211,614,641 5,704,194,791 34,099,792,026	267,890,347,222	2,415,029,073 429,054,505,479 9,211,614,641 5,704,194,791 34,099,792,026
Other Group companies	8,913,281,379		8,913,281,379 4,108,908,916,864	31,064,309,173		31,064,309,173 2,872,600,174,891
Total accounts payable (D)			=			2,012,000,174,071
(E) Accrued liabilities and deferred income Accrued liabilities and deferred income Discount on loans			60,452,913,740			52,781,602,678
Total accrued liabilities and deferred income (E)			60,452,913,740			52,781,602,678
Total liabilities and net worth			3,362,382,484,476			4,112,867,929,287
_ =			=			

CONTRA ACCOUNTS AND OTHER UNDERTAKINGS (viz. Art. 2427 parag. 9, Italian Civil Code)

	As at 31st December, 1997
	ITL
Bills discounted and presented for payment.	790,636,987,062
Leasing to be paid	34,693,782,408
Guarantees issued to third parties:	
—in favour of parent companies	40,000,000,000
—in favour of subsidiaries.	2,457,245,657,529

Income statement

	1997	1996
	(L	ire j
(A) Production value		
Revenues from sales and services rendered	1,664,949,366,192	1,645,822,292,789
Changes in semi-finished and finished goods	(11,025,425,082)	3,317,129,732
Changes in products being made in order		
Internal work capitalised on fixed assets	14,332,340,000	14,023,989,417
Other revenues:	07 (04 (07 67)	((100 () (50
-sundry items.	27,605,687,275	66,408,616,550
-contributions received during the year		
Total production value (A)	1,695,861,968,385	1,729,572,028,488
(B) Industrial and overhead expenses		
Raw, supplementary and ancillary materials and goods	(747,599,568,232)	(813,974,530,973)
Services received	(508,911,024,823)	(531,975,079,846)
Enjoyment of third-party assets	(20,395,286,089)	(17,137,766,517)
Staff costs:		
(a) salaries and wages	(108,294,934,211)	(85,732,675,289)
(b) social security contributions	(40,197,138,642)	(32,092,209,560)
(c) severance indemnity	(8,134,874,118)	(6,622,558,145)
(d) indemnity for termination of staff contracts		
(e) other staff costs	(2,198,323,291)	(2,122,545,467)
Depreciation, amortisation and devaluation:	(7 704 000 400)	(4 400 0 40 707)
(a) amortisation of intangible fixed assets	(7,706,092,608)	(4,488,840,707)
(b) depreciation of tangible fixed assets	(66,061,039,664)	(57,585,271,787)
(c) other devaluation of non-current assets	(1,947,579,971)	(2,065,571,720)
(d) provision for bad debts	(1,547,573,571)	(2,003,571,720)
materials and goods	10,735,008,516	(6,916,291,121)
Allocations to risk provisions:	10,723,000,510	(0,510,251,121)
Other provisions		
Sundry overhead expense	(18,821,316,294)	(13,585,588,279)
Sunding Cross-Law		
Total industrial and overhead expenses (B)	1,519,532,169,427	(1,574,298,929,411)
Difference between production value and expenses (A - B)	176,329,798,958	155,273,099,077

	1997	7 1996	
		(Lire)	
(C) Financial revenues and charges	•		
Income from shareholdings:			
-received from subsidiaries	. 515,166,563	11,473,552,500	
—received from affiliates	328,125,000	**,	
—received from other companies		320,123,000	
Other financial revenues:			
(a) from non-current receivables:			
—received from subsidiaries			
—received from affiliates	•		
—received from parent companies	•		
—received from other Group companies	•		
—received from other companies		310 010 400	
(b) from non-current investments	• •	319,813,479	
(c) from current investments		2,127,541,310	
(d) other revenues:	56,472,824	2,872;855,156	
-received from subsidiaries	100 220 215 200	_	
—received from affiliates	102,270,217,397	84,464,498,833	
received from parent companies	4 200 000 000		
—received from parent companies	4,029,260,201	6,017,573	
—received from other Group companies	4,955,107,706	3,751,650,223	
—received from other companies	154,892,178,039	139,802,015,635	
Interest expenses and other financial charges:			
—paid to subsidiaries	(84,390,962,374)	(56,539,767,880)	
—paid to affiliates	(3,732,446,131)	(6,004,225,576)	
—paid to parent companies	(39,310,342,113)	(69,907,291,667)	
-paid to other Group companies	(2,276,981,431)	(4,340,230,115)	
—paid to other companies	(204,988,720,043)	(192,191,473,828)	
Total financial revenue and charges (C)	(65,340,541,908)	(83,836,919,357)	
(D) Adjustments made to value of financial assets			
Revaluation:			
(a) of shareholdings			
(b) of non-current financial assets	442,147,131		
(c) of investments contained in current assets	, ,		
Devaluation:			
(a) of shareholdings	(37,550,640,304)	(13,768,207,613)	
(b) of non-current financial assets	(37,330,010,304)	(13,700,207,013)	
(c) of investments contained in current assets			
Total adjustments made to value of financial assets (D)	(37,108,493,173)	(13,768,207,613)	
CON TO-		(- , , ,)	
(E) Extraordinary revenues and charges Revenues:			
—gains from disposal of assets	6760 140 200	70 750 700	
—sundry extraordinary income	6,768,140,206 2,586,735,974	70,359,200	
Expenses:	2,360,733,974		
—loss on disposal of assets	(1.340.700.010)		
—taxation for previous years	(1,349,792,012)	(91,112,777)	
—sundry extraordinary charges	(12 ((0.250.260)	** * ***	
-	(12,660,759,762)	(1,167,643,390)	
Total extraordinary items	(4,655,675,594)	(1,188,396,967)	
Pre-tax profits	69 225 088 282	56 470 675 140	
Income taxes	69,225,088,283 (43,759,980,399)	56,479,575,140 (28,518,601,173)	
Net profits/(loss) for the year	25,465,107,884	27,960,973,967	
=			

AUDITORS' REPURT ON PARMALAT S.p.A.'S CONSOLIDATED FINANCIAL STATEMENTS

Revisione e
Organizzazione Contabile
The Italian Member Firm of
Grant Thornton International

Grant Thornton S.p.A.

Auditors' Report

To the shareholders of PARMALAT S.p.A. Via O. Grassi, 26 43044 – COLLECCHIO (PR)

We have audited the consolidated financial statements of PARMALAT S.p.A. for the year ended 31st December, 1997.

Our examination was made in accordance with generally accepted auditing standards and, in compliance with those standards, we made reference to generally accepted accounting principles issued by the Consigli Nazioniali dei Dottori Commercialisti e dei Ragionieri.

With respect to the opinion expressed on the previous year's consolidated financial statements which are presented for comparative purposes, reference is made to our audit report thereon dated 26th May, 1997.

The financial statements of a number of subsidiaries which represent respectively 33% of aggregate total assets and 19% of aggregate sales, were examined by other auditors who furnished us with their reports. Our opinion, expressed in this report, with respect to the values relating to these companies included in the consolidation, are also based on the work performed by other auditors.

In our opinion, the above mentioned consolidated financial statements give a true and fair view of the state of affairs of the PARMALAT S.p.A. Group at 31st December, 1997 and of the results of its operations for the year then ended, in accordance with generally accepted accounting principles as outlined in the supplementary note to the consolidated financial statements.

Milan, 12th June, 1998

Grant Thornton S.p.A.

Maurizio Bianchi Lorenzo Penca (Partners)

SUMMARY AUDITED FINANCIAL STATEMENTS OF PARMALAT S.p.A.

PARMALAT S.p.A. CONSOLIDATED

	199:	7 Balance Sheet —		1996 Balance Sheet — Assets Over			
	Within 12 months	Ov more the 12 monts	m 31st December,	Within 12 month	more the	ın 31st December,	
			(1	Lire)			
(A) Amounts due from shareholders			407,881,648			256,001,759	
I. Intangible assets Deferred initial outlays Research/develop./			78,779,302,974			45,049,974,254	
advert, costs			23,776,925,335			15,724,321,310	
rights	й		10,608,317,007			10,966,003,887	
trademarks and similar assets			60,382,495,152 128,736,710,902			56,467,629,171 86,331,611,799	
& deposits Other intangible assets - Goodwill due to			84,388,948			29,839,760	
consolidation - Value of Sports Associations'			104,897,810,344			110,521,066,885	
sportsmen Other intangible assets			99,375,858,888 16,774,300,534			101,725,757,377 25,620,209,413	
Total intangible assets			523,416,111,084			452,436,413,856	
II. Tangible fixed assets Land and buildings Plant and machinery Industrial and commercial equipment Other fixed assets Assets under construction			576,016,272,496 1,159,460,582,356 76,775,538,206 81,923,616,648			486,688,884,517 883,881,715,681 70,549,672,703 63,072,092,251	
& deposits			44,487,576,829			27,817,575,556	
Total tangible fixed assets			1,938,663,586,535			1,532,009,940,708	
III. Non-current financial assets Shareholdings in:							
(a) subsidiaries			2,168,078,630 15,504,981,167			2,623,537,406 46,643,925,861	
(d) others			29,562,717,714			21,966,909,551	
(d) others Other investments	11,760,343,111	16,036,000,951	27;796,344,062 290,034,256,657	20,183,170,525	11,698,920,672	31,882,091,197 53,679,983,622	
Total non-current financial			365,066,378,230			156,796,447,637	
Total non-current assets (B)		:	2,827,146,075,849		2	,141,242,802,201	

	1997 Bulance Sheet — Assets Over		1996 Balance Sheet — Assets Over			
		more than	3/st December.		more ihan	
	Within 12 months	12 months		Within 12 months	12 months	,
			(1	Lire)		
(C) Current assets [. Inventory						
Raw, supplementary and ancillary materials			268,309,272,438			298,322,857,908
Finished products and goods			293,015,328,423			343,753,485,072
Deposits paid			15,804,498,735			10,545,438,751
Inventory depreciation fund			(1,009,352,417)			(2,110,954,588)
Total inventory			576,119,747,179			650,510,827,143
II. Accounts receivable						
From subsidiaries From affiliates	,409,138,682,479 37,681,467 6,339,666,315 8,284,521,869	13,581,370,534	1,422,720,053,013 37,681,467 6,339,666,315 8,284,521,869	1,350,743,262,081 3,193,128,947 8,956,234,327 1,744,804,057	3,012,176,531	1,353,755,438,612 3,193,128,947 8,956,234,327
From parent companies From others From other Group		15,955,209,057	373,382,085,974	235,531,010,202	8,375,286,538	1,744,804,057 243,906,296,740
companies Bad and doubtful debt	26,313,045,440		26,313,045,440			
reserve			(65,110,607,521)			(49,467,855,000)
Total accounts receivable		1	,771,966,446,557		1	,562,088,047,683
III. Current financial assets Shareholdings in subsidiary companies Shareholdings in affiliates Shareholdings in parent companies Shareholdings in other companies Own shares			19,085,189,863			10,120,905
Other investments			837,831,086,114		-	348,369,326,368
Total current financial assets		=	856,916,275,977		=	348,379,447,273
IV. Cash Bank and post office accounts Cheques. Cash in hand			657,154,748,597 223,368,190,280 32,594,799,023		9	997,035,063,722 94,593,664,306 38,783,045,371
Total cash		1,	913,117,737,900		1,1	30,411,773,399
Total current assets (C)		5,	118,120,207,613		3,6	91,390,095,498
(D) Accrued income and prepaid expenses			63,991,748,095		1	17,357,211,273
Total accrued income and prepaid expenses (D))	63,991,748,095		1:	17,357,211,273
Total assets		8,1	09,665,913,205		5,9:	50,246,110,731
		===			=	

		9 7 Balance Sheet - Ov	– Assels ver			996 Bulance	e Sheet — . Over	
	Within 12 month	more th	an 31st Decemb	er, 197	Within 12 mon		more than 12 months	
				{Li	ire)			
(A) Net worth 1. Share capital 11. Share premium reserve 111. Revaluation reserves 1V. Legal reserve V. Reserve for own shares	,		680,000,000,0 290,000,000,0 12,898,063,0 27,147,238,9	00 72				680,000,000,000 290,000,000,000 18,651,485,432 24,351,141,552
VI. Statutory reserves VII. Other reserves VIII. Profits/(losses) brough			680,573,734,4	33				514,301,800,364
forward								
year			226,030,116,58	8				213,209,581,594
Total net worth (A)			1,916,649,153,04	2			1	,740,514,008,942
Minority interests net worth			715,569,650,55	9				109,753,354,402
Minority interest net			/2 747 250 27	٠,				
profit/(loss) (B) Provisions for risks and charges			(3,742,250,23	زد				1,724,205,985
Provision for termination of staff								
contracts and similar			1,537,614,540					3,700,053,443
Tax reserve Other provisions			4,975,444,26! 64,362,848,526					4,493,503,908
Total provisions for risks and			04,302,648,320	J				39,570,387,476
charges (B)(C) Severance indemnity			70,875,907,335	5				47,763,944,825
fund			76,889,174,395	5				73,168,670,218
Debenture loans								
Banks and financial institutions Other providers of funds Deposits received Suppliers Eligible bills Subsidiaries	198,696,351,356 1,472,329,459 971,633,977,677	2,330,722,084,662 27,025,064 27,580,985,511 20,128,428,667	3,255,269,058,319 198,696,351,356 1,499,354,523 999,214,963,188 32,063,297,447 1,357,686,860	1,10	14,348,940,245 578,404,241	56,789,6	55,937 1 34,616 1,1	722,150,090,084 71,138,596,182 578,404,241 22,356,457,455 20,871,583,112
Affiliates	36,652,256,523	200,000,000,000 23,573,019,291	36,652,256,523 426,754,704,300 163,506,983,177	32	18,876,295,034 27,299,952,939 14,167,555,487	267,890,34 23,796,17	17,222 5	18,876,295,034 95,190,300,1 <i>6</i> 1 27,963,730,055
national insurance contributions Other accounts payable Other Group companies Total accounts payable (D).	25,104,204,679 75,747,087,869 187,074,303	3,655,239,595 3,514,312,220	28,759,444,274 79,261,400,089 187,074,303 5,223,222,574,359		6,491,891,730 7,430,666,137	9,229,07	72,873 £	26,491,891,730 66,659,739,010 2,277,087,064
(E) Accrued liabilities and							3,07	2,217,007,004
deferred income Accrued liabilities and deferred income Discount on loans			110,201,703,748				10	5,044,839,295
Total accrued liabilities and								
deferred income (E) Total liabilities and net worth			110,201,703,748 ,109,665,913,205					5,044,839,295 0,246,110,731
	Contra Acco	unts and other	r undertakings	(A:	rt. 2 427 n. 9)		1007
								1997
Bills discounted and pres	ented for norm	nent					000 40	ITL
Leasing to be paid	onicaror payo		•••••••		•••••••••••••••••	••••••	303,40	9,204,226
Guarantees issued to thir-	d parties:						203,04	4,965,116
— in favour of other com	panies			· • • • •	•••••••		12:	2,304,031
— in favour of parent cor	npany						40,000	0,000,000

PARMALAT S.p.A. CONSOLIDATED

Income Statement		
	12 months ended	12 months ended
	31st December, 1997	31st December, 1996
•	(Lire)	
(A) Production value		
Revenues from sales and services rendered	5,658,464,367,708	5,464,676,498,128
Changes in inventory of semi-finished and finished goods	(50,457,208,247)	108,948,475,398
Changes in work in progress		
Internal work capitalised on fixed assets	30,271,443,653	29,106,045,942
Other revenues:		
—sundrý items	117,220,120,319	93,900,081,625
—contributions received during the year	27,777,945,868	35,105,040,057
Total production value (A)	5,783,276,669,301	5,731,736,141,150
(B) Industrial and overhead expenses		
Raw, supplementary and ancillary materials and goods	(2,943,423,933,345)	(3,084,148,197,260)
Services received	(1,268,261,112,073)	(1,262,688,083,550)
Enjoyment of third-party assets	(91,092,819,808)	(81,297,103,681)
Staff costs:		
(a) salaries and wages	(448,715,131,356)	(422,314,470,422)
(b) social security contributions	(150,139,347,286)	(141,184,130,723)
(c) severance indemnity	(22,895,659,081)	(17,975,831,799)
(d) indemnity for termination of staff contracts	(534,154,102)	(1,261,670,263)
(e) other staff costs	(27,033,481,602)	(24,718,268,057)
Depreciation, amortisation and devaluation:		
(a) amortisation of intangible fixed assets	(68,685,724,760)	(58,804,584,743)
(b) depreciation of tangible fixed assets	(119,695,332,053)	(104,648,858,407)
(c) other devaluation on non-current assets	(2,149,801)	
(d) provision for bad debts	(24,353,956,914)	(6,802,504,084)
Changes in inventory of raw, supplementary and ancillary		
materials and goods	(27,020,176,528)	24,843,590,653
Allocation to risk provisions	(18,891,983,321)	(24,520,638,243)
Other provisions	(18,748,689,046)	(4,530,651,350)
Sundry overhead expenses	(65,114,068,793)	(52,081,618,184)
Total industrial and overhead expenses (B)	(5,314,607,719,869)	(5,262,133,020,113)
Difference between production value and expenses (A-B).	468,668,949,432	469,603,121,037

	12 months ended 31st December, 1997	12 months ended 31st December, 1996
(C) Financial revenues and charges	(Lin	rej
Income from shareholdings:		
—received from subsidiaries		
—received from affiliates	1 224 164 460	91,272,499
-received from other companies	1,334,164,458	2,987,412,913
Other financial revenues	146,954,430	110,343,502
(a) from non-current receivables:		
—received from subsidiaries		
—received from affiliates		
-received from parent companies		
—received from parent companies—		,
—received from other companies	0.903.165.600	
(b) from "non-current investments"	9,893,165,690	323,561,243
	4,940,762,938	4,474,342,541
(c) from "current investments"	20,192,553,742	5,204,046,766
received from subsidiaries		
—received from affiliates		
	12 265 042 000	
—received from parent companies	12,365,042,202	. 164,832,491
—received from other Group companies	416,655,679	
—received from other companies	221,698,676,309	192,775,938,089
Interest expenses and other financial charges:		
—paid to subsidiaries —paid to affiliates	(2.722.44(.120)	
paid to parent companies	(3,732,446,130)	(6,004,225,576)
—paid to paremeompanies—paid to other Group companies	(56,925,507,286)	(69,977,968,894)
—paid to other companies	(221 747 052 415)	(252 055 055 500)
Total financial revenues and charges (C)	(331,747,052,415)	(253,055,275,508)
total illiancial revenues and charges (C)	(121,417,030,383)	(122,905,719,934)
(D) Adjustments made to value of financial assets		•
Revaluation:		
(a) of shareholdings		
(b) of non-current financial assets	3,928,429,056	455,639,464
(c) of investments contained in current assets	686,974,891	
Devaluation:		
(a) of shareholdings	(248,815,992)	(88,953,659)
(b) of non-current financial assets	(11,623,011,009)	(63,621,041)
(c) of investments contained in current assets	(543,873,377)	
Total adjustments made to value of financial assets (D)	(7,800,296,431)	303,064,764
(m) 70 ·	•	
(E) Extraordinary revenues and charges		
Revenues:		
—gains from disposals of assets	18,143,048,228	22,431,307,871
—sundry extraordinary income	22,356,894,287	11,034,540,105
Expenses:		
losses on disposals of assets	(8,656,683,851)	(18,150,100,051)
-taxation for previous years		
—sundry extraordinary charges	(20,378,942,317)	(33,833,375,572)
Total extraordinary items	11,464,316,347	(18,517,627,647)
Pre-tax profits	350,915,938,965	328,482,838,220
Income taxes	(128,628,072,610)	(113,549,050,641)
Net profits/(loss) for the year	222,287,866,355	214,933,787,579
of which net profits/(loss) for the year re. minority		
interests	(3,742,250,233)	1,724,205,985
of which Group net profits/(loss) for the year	226,030,116,588	213,209.581,594

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The Cayman Islands

The comments below are intended as a general guide to the current position under Cayman Islands tax law. People who are in any doubt as to their tax position should consult their professional advisers.

The Issuer and the Guarantor, respectively, have been advised that under existing Cayman Islands law:

- (i) payments in respect of the Notes, the Coupons or the Guarantees will not be subject to taxation in the Cayman Islands (the "Islands") and no withholding will be required on such payments to any holder of a Note, Coupon or Guarantee and gains derived from the sale of Notes will not be subject to income or corporation tax in the Islands. The Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.
- (ii) The holder of any Note or Coupon (or the legal personal representative of such holder) whose Note or Coupon is brought into the Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Islands in respect of such Note or Coupon.

The Issuer has been incorporated under the laws of the Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor In Council of the Islands in the following form:

"The Tax Concessions Law (1995 Revision) Undertaking as to Tax Concessions

In accordance with the provisions of Section 6 of the Tax Concessions Law (1995 Revision), the Governor In Council undertakes with Parmalat Capital Finance Limited (the "Company");

- that no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the aforesaid exempted company or its operations and
- (ii) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
 - (a) on or in respect of the shares debentures or other obligations of the Company; or
 - (b) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1995 Revision).

These concessions shall be for a period of 20 years from the 11th day of November, 1997.

Governor In Council"

Italy

The comments below are intended as a general guide to the current position under Italian tax law as is in force and construed at present. Persons who are in any doubt as to their tax position should consult their own professional advisers.

Income Tax

Payments made by the Guarantor under the Guarantees may be made without withholding or deduction for or on account of any taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Republic of Italy or any political sub-division or authority thereof or therein.

Interest payments received by Italian resident holders of Notes who are individuals not acting in the framework of a business enterprise will be subject to a 12.5 per cent. withholding tax, which will be applied by any Italian bank or other entities which will intervene in the payment of such interest. Interest payments received by Italian resident holders of Notes who are individuals electing for the asset management option (that is, individuals who have granted to an authorised asset management intermediary a mandate to manage their investments and have elected to be taxed on an annual basis on the profits of such management) (the "asset management option"), investment funds, open ended investment companies or collective investment schemes, will no longer be subject to withholding tax, being instead liable to a 12.5 per cent. yearly substitutive tax (that is, a tax which substitutes withholding and other income taxes in respect of certain categories of income, including this type of interest) (the "substitute tax").

Interest payments received on interest accrued by holders of Notes who are Italian resident companies, or corporations, or permanent establishments in Italy of foreign entities, are not subject to withholding tax.

In the event of a redemption of the Notes occurring at any time within 18 months of the issue date thereof, an additional tax at the rate of 20 per cent. shall be levied on the amount of interest accrued up to the time of the early redemption, which additional tax will be applied by the Italian banks or other companies which will intervene in the payment of interest and/or in the repayment of the principal.

Holders of the Notes who are Italian resident individuals will be liable to a 12.5 per cent. withholding tax on any interest realised on a disposal of the Notes. Such withholding tax will be applied by the Italian banks or other companies which intervene in the transaction effecting such disposal.

Interest realised on a disposal of the Notes by Italian resident holders of Notes who are individuals electing for the asset management option, investment funds, open ended investment companies or collective investment schemes, are no longer subject to withholding tax, being instead liable to the substitutive tax,

Holders of Notes who are Italian resident individuals not electing for the asset management option are liable, on any capital gain on a disposal of Notes, to a 12.5 per cent. substitutive tax which will be computed and applied on the basis of all relevant capital gains and capital losses realised in the relevant year and any capital gain on a disposal of Notes realised by holders of Notes who are Italian resident individuals electing for the asset management option, Italian resident investment funds, open ended investment companies or collective investment schemes are subject to a 12.5 per cent. yearly substitutive tax.

Interest accrued and gains or losses realised on a disposal of Notes by holders of Notes who are Italian resident companies or corporations, or permanent establishments in Italy of foreign entities, will be taken into account in the determination of corporation income tax.

Transfer Tax

Sales of Notes listed on regulated markets (which would include the Luxembourg Stock Exchange) are exempt from transfer taxes (Fissato Bollato) in Italy if: (i) they are executed in regulated markets; or (ii) they are executed outside Italy between non-residents; or (iii) they are executed between banks and/or entities authorised to carry on investment services in accordance with Italian laws; or (iv) they are executed between banks or entities authorised to carry on investment services in accordance with Italian laws and non-resident persons or entities; or (v) they are executed between collective investment schemes and any other investor (ie, banks and other entities, whether or not resident in Italy, authorised to carry on investment services in accordance with Italian law, with which collective investment schemes are permitted to deal). Any other sales are subject to transfer tax at the rates of Lire 16 per Lire 100,000 or Lire 9 per Lire 100,000 (in each case, of the sales price), depending on the identity of the contracting parties.

Stamp Duty

If any legal proceedings are commenced in the Republic of Italy in respect of the Guarantees against the Guaranter a registration tax at the rate of 0.5 per cent. will be payable. If a judgment were rendered by an Italian court, a registration tax, not exceeding 3 per cent., would be payable on such amounts as are then outstanding if such Guarantees were referred to in a judgment in the Italian courts.

Inheritance and Gift Tax

Italian inheritance and gift tax (imposta sulle successioni e donazioni) is payable on the transfer of assets or rights by reason of death or donation.

The tax is payable by heirs, legatees and recipients of gifts:

- where the deceased (or donor) was (or is) resident in Italy, on all assets and rights bequeathed or donated, including assets and rights existing outside Italy;
- where the deceased (or donor) was (or is) not resident in Italy, on all assets and rights bequeathed
 or donated existing in Italy. The tax would not be payable in respect of the Notes and Coupons as
 long as they are held outside Italy.

Inheritance or gift taxes paid in a State outside Italy in respect the same estate on assets existing in that State are deductible in whole or in part from the "imposta sulle successioni e donazioni" due in respect of such estate.

Double taxation treaties stipulated by the Republic of Italy on the matter of inheritance and gift tax shall apply.

SUBSCRIPTION AND SALE

Barclays Bank PLC. Banca Commerciale Italiana, Banque Bruxelles Lambert S.A., Bear, Stearns International Limited, Caboto Holdings SIM S.p.A., Chase Manhattan International Limited, Credit Agricole Indosuez, Credit Suisse First Boston (Europe) Limited, Dresdner Bank AG London branch, Merrill Lynch International, Midland Bank plc, NatWest Capital Markets Limited (as agent for National Westminster Bank plc), Paribas, Société Générale and UBS AG (the "Managers") have, pursuant to a Subscription Agreement dated 7th August, 1998, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Notes at the issue prices set forth on the cover page of this Offering Circular less a selling concession of 0.20 per cent. of such principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission of 0.20 per cent. of such principal amount. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has agreed that:

- it has not offered or sold and prior to the date six months after the issue of the Notes will not offer
 or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities
 involve them in acquiring, holding, managing or disposing of investments (as principal or agent)
 for the purposes of their businesses or otherwise in circumstances which have not resulted and will
 not result in an offer to the public in the United Kingdom within the meaning of the Public Offers
 of Securities Regulations 1995;
- it has complied and will comply with all applicable provisions of the Financial Services Act 1986
 with respect to anything done by it in relation to the Notes in, from or otherwise involving the
 United Kingdom; and
- 3. it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

No action has or will be taken to offer or sell Notes to the public in the Republic of Italy ("Italy") and no information memorandum or any other documents in draft or in definitive form relating to the Notes may be published or distributed for or to the public in Italy. Any offering of the Notes in Italy (A) may be made only to professional investors (as defined in Article 31.2 of Commissione Nazionale per le Societa e la Borsa ("CONSOB") Resolution No. 11522 of 1st July, 1998, as subsequently amended), (B) shall be preceded and followed by the communications to CONSOB required by such resolution, (C) if required by Article 129 of Legislative Decree No. 385 of 1993 as subsequently amended, shall be preceded and followed by communication to the Bank of Italy in accordance with the relevant Comitato Interministeriale per il Credito e il Risparmio ("CICR") and Bank of Italy regulations and (D) will be conducted in accordance with any

relevant limitation the Bank of Italy may impose upon the offer or sale of the Notes. Any sales of the Notes to any persons in Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Any offer or sale of the Notes to any person in Italy shall be made in accordance with the provisions of Article 94 and following of the Legislative Decree no. 58 of 24th February, 1998 (the "Consolidated Intermediary Financial Law") and relevant stock exchange rules by or through an investment firm or a bank authorised or permitted to conduct such activity in Italy, in each case acting in compliance with the relevant provisions of the Consolidated Intermediary Financial Law and any other applicable laws and regulations.

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange.

- 1. The Notes have been accepted for clearance through the Cedel Bank and Euroclear systems with a Common Code of 8955336. The International Securities Identification Number for the Notes is XS0089553365.
- 2. In connection with the application to list the Notes on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the Articles of Association of the Issuer will be deposited with the Chief Registrar of the District Court in Luxembourg ("Greffier en Chef du Tribunal d'Arrondissement de et a Luxembourg') where such documents may be examined and copies obtained.
- 3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in the Cayman Islands and the Republic of Italy in connection with the issue and performance of the Notes and the Guarantees. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 5 August, 1998 and the giving of the Guarantees falls within the general powers and authority conferred on the Chairman and Chief Executive Officer of the Guarantor by a resolution of the Board of Directors of the Guarantor made on 26th June, 1998.
- 4. Except as disclosed in this document there has been no significant change in the financial or trading position of the Issuer, the Guarantor or of the Group since 31st December, 1997 and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor or of the Group since 31st December, 1997.
- 5. Save as disclosed herein, neither the Issuer nor the Guarantor nor any of their respective subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as the Issuer or the Guarantor is aware is any such litigation or arbitration pending or threatened.
- 6. The Notes will bear the following legend "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- 7. The Issuer is not required to publish financial statements under Cayman Islands law. Neither the Issuer nor the Guarantor prepares or publishes interim accounts.
- 8. Copies of the latest audited financial statements of the Issuer and the latest audited annual consolidated financial statements of the Guarantor, may be obtained, and copies of the Fiscal Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- 9. The 1996 and the 1997 financial statements of the Guarantor were audited by Grant Thornton S.p.A. The auditors have given an unqualified opinion that the financial statements give a true and fair view of the financial position of the Guarantor as at 31st December, 1996 and 31st December, 1997, respectively.

The reference in paragraph 8 above to consolidated financial statements shall include a reference to unconsolidated financial statements.

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